

THABAZIMBI LOCAL MUNICIPALITY

**Annual Financial Statements
for the year ended 30 June 2020**



THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

Legal form of entity:	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)	
Legislation governing the municipality's operations:	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)	
Mayoral committee:	Mayor Speaker Chief Whip	Cllr JM Fischer Cllr. T Hearne Cllr PJ Strydom
Community Services:	Chairperson Member Member Member Member	Cllr Sanny Ndhlovu Cllr PL Serole Cllr XS Nozozo Cllr B.E. Motlhabane Cllr Grace Ntshabele
Planning and economic development & Infrastructure:	Chairperson Member Member Member Member	Cllr Daniel Mampeule Cllr I. Nengwekhulu Cllr Rachel Mokwena Cllr T. Ramoabi Cllr C.S. Sikwane
Finance Institutional Development & Transformation:	Chairperson Member Member Member Member	Cllr Sam Makhubela Cllr T Swanepoel Cllr H.O. Selokela Cllr SM Matshelanokana Cllr T Molefe
MPAC:	Chairperson Member Member Member	Cllr F Erasmus Cllr AR Ramogale Cllr M.D. Comakae Cllr F. Kokonyana
Grading of local authority:	Category C (MDB Code: LIM361)	
Acting Accounting Officer:	Mr G Tloubatla	
Acting Chief Finance Officer (CFO):	Mr J Matlou	
Registered office:	7 Rietbok Street, Thabazimbi, 0380	
Business address:	7 Rietbok Street, Thabazimbi, 0380	
Postal address:	Private Bag X530, Thabazimbi, 0380	
Bankers:	ABSA Bank Limited	
Auditors:	Auditor General of South Africa (AGSA)	

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Abbreviations

COIDA	Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MSIG	Municipal System Improvement grant
NDPG	Neighbourhood development and partnership grant
COVID-19	Coronavirus
DHS	Department of Human Settlement
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
SRAC	Sports, Recreation, Arts & Culture
DRG	Disaster relief grant
INEP	Integrated national electrification programme
WSIG	Water services infrastructure grant

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

ACCOUNTING OFFICERS RESPONSIBILITY AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I, as the accounting officer (accounting authority), acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the community for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring the following material matters to your attention:

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ACCOUNTING OFFICERS RESPONSIBILITY AND APPROVAL

As at June 30, 2020, the municipality had an accumulated surplus of **R 406 million** and that the municipality's total assets exceed its total liabilities by **R 406 million**.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 26 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page ____.

During the current year, in terms of regulation 43582, municipalities were exempted, for the 2019/2020 financial year, from complying with the deadlines in section 126(1) and (2), 127(1) and (2), 129(1) and 133(2) of the MFMA for a period of two months. This resulted in the Annual Financial Statements being submitted to the Auditor General of South Africa on 31 October 2020.

The annual financial statements set out on pages 3 to 54, which have been prepared on the going concern basis, were approved by the municipality on 31 October 2020 and were signed on its behalf by:

Accounting Officer
Date: 31 October 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

Figures in Rand

	Note(s)	2020	2019 *Restated
Assets			
Non-Current Assets			
Property, plant and equipment	3	766 851 338	722 259 030
Biological assets	4	1 038 800	1 435 600
Intangible assets	5	-	154 095
Total non current assets		767 890 138	723 848 725
Current Assets			
Cash and cash equivalents	6	2 006 754	36 835 994
Trade and other receivables from exchange transactions	7	110 561 066	89 505 122
Trade and other receivables from non-exchange transactions	8	42 647 754	34 338 919
Inventories	9	5 741 036	3 680 434
VAT receivable		16 462 009	7 405 204
Total current assets		177 418 619	171 765 673
Total Assets		945 308 758	895 614 398
Liabilities			
Non-Current Liabilities			
Borrowings	10	686 619	1 629 005
Provisions	11	45 246 706	49 908 295
Employee benefit obligations	12	35 307 000	38 058 758
Trade and other payables from exchange transactions	14	176 878 214	215 471 884
Total non current liabilities		258 118 539	305 067 942
Current Liabilities			
Current portion of borrowings	10	1 283 509	1 380 224
Current portion of provisions	11	2 084 505	2 063 905
Current portion of employee benefit obligations	12	1 495 000	1 488 288
Consumer deposits	13	4 178 703	4 028 784
Current portion of trade and other payables from exchange transactions	14	260 063 802	191 231 786
Unspent transfers and subsidies	15	11 321 396	40 509 904
Total current liabilities		280 426 915	240 702 891
Total Liabilities		538 545 454	545 770 834
Net Assets		406 763 303	349 843 565
Accumulated surplus		406 763 303	349 843 565

*See Note 37

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

Figures in Rand

	Note(s)	2020	2019 *Restated
Revenue			
Revenue from non exchange transactions			
Property rates (Taxation revenue)	16	77 048 838	69 337 778
Fines	17	1 323 262	1 287 850
Licence and permits	18	15 370	18 723
Government grants and subsidies	19	197 243 021	122 182 496
Total non exchange revenue transactions		275 630 492	192 826 847
Revenue from exchange transactions			
Service charges	20	169 604 170	162 453 550
Rental of facilities and equipment	21	422 978	2 958 079
Licences and permits	22	1 823 964	865 771
Other operational revenue	23	499 698	2 121 638
Interest income	24	23 373 976	26 307 512
Total exchange transactions revenue		195 724 787	194 706 549
Total Revenue		471 355 279	387 533 396
Expenditure			
Employee related cost	25	124 463 520	114 681 334
Remuneration of councillors	26	8 897 006	9 547 638
Impairment loss	27	58 350 242	40 256 422
Depreciation and amortisation	28	37 334 657	45 775 798
Finance costs	29	14 944 417	15 990 502
Bulk purchases	30	113 315 111	95 691 357
Inventory consumed		5 826 417	711 345
Contracted services	31	28 328 214	26 535 349
Operating leases		3 209 487	2 656 735
Operational costs	32	19 369 668	34 203 124
Total Expenditure		414 038 741	386 049 602
Fair value adjustment	4	(396 800)	675 008
Surplus (deficit) for the year		56 919 738	2 158 801

*See Note 37

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand

		Accumulated surplus	Total net assets
Opening balance		343 651 825	343 651 825
Change in net assets:			
Restated Surplus/(Deficit) for the year		2 158 801	2 158 801
Adjustments:			
*Prior year adjustments (Note 37)	37	4 032 938	4 032 938
Balance at 1 July 2019 as restated		349 843 564	349 843 564
Surplus (deficit) for the year		56 919 738	56 919 738
Balance at 30 June 2020		406 763 302	406 763 302

***See Note 37**

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

Figures in Rand

	Note(s)	2020	2019
Cash flows from operating activities			
Receipts			
Services charges		134 644 735	101 518 966
Grants		168 054 514	162 692 400
Rates and fines		47 945 250	51 624 758
Interest received on investments		1 465 311	1 304 761
Other receipts		484 360	3 006 132
		352 594 169	320 147 017
Payments			
Employee costs		136 313 466	126 721 023
Suppliers		168 447 741	125 684 282
Finance costs		-	-
		304 761 208	252 405 305
Net cash flows from operating activities	33	47 832 962	67 741 712
Cash flows from investing activities			
Acquisition of fixed assets	3	(81 623 100)	(29 596 080)
Acquisition of intangible assets		-	-
Net cash flows from investing activities		(81 623 100)	(29 596 080)
Cash flows from financing activities			
Loan Repayments		(1 039 101)	(1 832 860)
Finance lease payments		-	-
Net cash flows from financing activities		(1 039 101)	(1 832 860)
 Net increase/(decrease) in cash and cash equivalents		 (34 829 240)	 36 312 772
Cash and cash equivalents at the beginning of the year		36 835 994	523 222
 Cash and cash equivalents at the end of the year	6	 2 006 754	 36 835 994

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Statement of comparison of budget to actual amounts for the year ended 30 June 2020

	Original Budget	Budget Adjustments	Final Budget	Actual amount	Variance ZAR	Variance %	Note
Revenue By Source							
Property rates	60 349 392	12 796 283	73 145 675	77 048 838	3 903 163	5%	
Service charges	175 545 000	(311 589)	175 233 411	169 604 170	(5 629 241)	-3%	
Rental of facilities and equipment	465 336	-	465 336	422 978	(42 358)	-10%	
Interest earned	24 388 248	-	24 388 248	23 373 976	(1 014 272)	-4%	
Fines Penalties and Forfeits	130 248	-	130 248	1 323 262	1 193 014	90%	39.1
Licences and permits	3 156 000	(2 225 512)	930 488	1 839 334	908 847	49%	39.2
Transfers recognised	180 592 988	(11 000 000)	169 592 988	197 243 021	27 650 033	14%	39.3
Other revenue	887 460	(257 498)	629 962	499 698	(130 264)	-26%	39.4
Total Revenue	445 514 672	(998 316)	444 516 356	471 355 279	26 838 923		
Expenditure By Type							
Employee related costs	136 739 796	(9 552 526)	127 187 270	124 463 520	(2 723 750)	-2%	
Remuneration of councillors	11 204 448	(988 475)	10 215 973	8 897 006	(1 318 966)	-15%	39.5
Debt impairment	6 991 536	(6)	6 991 530	58 350 242	51 358 712	88%	39.6
Depreciation and asset impairment	28 709 472	(10)	28 709 462	37 334 657	8 625 196	23%	39.7
Finance charges	12 624 000	(2 455 031)	10 168 969	14 944 417	4 775 448	32%	39.8
Bulk purchases	119 923 668	(11 717 503)	108 206 165	113 315 111	5 108 946	5%	
Contracted services	49 650 000	(4 700 000)	44 950 000	28 328 214	(16 621 786)	-59%	39.9
Other expenditure	31 406 628	(2 217 999)	29 188 629	28 405 572	(783 056)	-3%	39.10
Total Expenditure	397 249 548	(31 631 551)	365 617 997	414 038 741	48 420 744		
Surplus/(Deficit) for the year	48 265 124	30 633 235	78 898 359	57 316 538	(21 581 821)		

Explanation on material differences which are **above 10%** between final budget and actual are disclosed in note 39

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

ACCOUNTING POLICIES

Presentation of financial statements

These Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The Annual Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

1 Summary of Significant Accounting Policies

The accounting policies have been consistently applied to all the years presented.

1.2 Presentation currency

These Annual Financial Statement are presented in South Africa Rand, which is the functional currency of the Municipality.

1.3 Going concern assumption

These Annual Financial Statements were prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Comparative and Budget Information

1.5.1 Current year comparatives

The annual budget figures have been prepared in accordance with the Standard of GRAP and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statements, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Annual Financial Statements giving motivations for over- or under spending on line items where it is found to be material. The annual budget figures include budget information relating to subsidiaries or associated. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2019 to 30 June 2020.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material. Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

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ACCOUNTING POLICIES

1.5.2 Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.6 Foreign Currencies

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.7 Significant judgements and estimates

In the application of the municipality's accounting policies, which are described above, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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ACCOUNTING POLICIES

1.8 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.9 Inventories

Inventories consist of consumables, materials and supplies and water, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value, except for plants which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.10 Water Inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

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ACCOUNTING POLICIES

1.11 Investment Property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's Judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30 year period.

Investment properties are derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transfers are made to or from investment property only when there is a change in use.

1.12 Property, Plant and Equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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ACCOUNTING POLICIES

1.12 Property, Plant and Equipment (continued):

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and buildings, are measured at **cost**, less accumulated depreciation and accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous impairment.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the Municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

The estimated useful life, residual values and depreciation method are reviewed annually at the end of the financial year.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

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ACCOUNTING POLICIES

1.12 Property, Plant and Equipment (continued):

Asset class and depreciation

Land - Land is not depreciated
Plant and machinery - between 10 and 15 years
Furniture and fixtures - between 7 and 10 years
Motor vehicles - between 5 and 10 years
Office equipment - between 3 and 5 years
IT equipment - between 3 and 5 years
Road infrastructure networks - between 15 and 30 years
Community facilities - 30 years
Electricity Infrastructure Network - between 20 and 30 years
Solid Waste infrastructure - between 15 and 30 years
Social Facilities - 20 years
Security equipment - between 3 and 5 years
Sport and Recreational Facilities - 20 years
Bridges Infrastructure - 30 years
Sanitation Network Infrastructure - between 15 and 20 years
Water Network Infrastructure - between 15 and 20 years
Servitudes - not depreciated
Storm Water Infrastructure - 20 years

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets.

1.13 Biological Assets

Biological assets and agricultural produce are initially and subsequently measured at their fair value less estimated point-of-sale costs and agricultural produce harvested from the entity's biological assets are measured at their fair value less estimated point-of-sale costs at the point of harvest.

Where biological assets and agricultural produce are acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, transfer taxes and duties but exclude transport and other costs necessary to get the assets to a market.

The fair value of biological assets is estimated by reference to the market value. The fair value of the plantations is based on the combined fair value of the land and the trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in the fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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1.14 Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15 Impairment of Property, Plant and Equipment, Intangible Assets and Heritage Assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

1.15.1 Impairment of Cash-generating Assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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1.15.1 Impairment of Cash-generating Assets (continued):

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.15.2 Impairment of Non-cash-generating Assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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ACCOUNTING POLICIES

1.15.2 Impairment of Non-cash-generating Assets (continued):

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.16 Financial Instruments

A financial instrument is recognised if the Municipality becomes a party to the contractual provisions of the instrument.

1.16.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with the Standards of GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current asset
- Financial assets measured at fair value being financial assets that meet either of the following conditions:
 - a) Derivatives;
 - b) Combined instruments that are designated at fair value;
 - c) Instruments held for trading;
 - d) Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - e) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto: (see note 41)

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

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ACCOUNTING POLICIES

1.16.1 Financial Assets (continued):

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with the Standard of GRAP 104 of Financial Instruments.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to the Standard of GRAP 104 on Financial Instruments, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

- Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.
- Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.
- Housing loans assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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1.16.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at fair value; or
- Financial liabilities measured at amortised cost.

The Municipality has the following types of financial liabilities (which include consumer deposits) as reflected on the face of the Statement of Financial Position or in the notes thereto: (See note 41)

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

1.17 Provisions

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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ACCOUNTING POLICIES

1.17 Provisions (continued):

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.17.1 Environmental Rehabilitation Provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

1.18 Employee Benefits

The Municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

1.18.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

1.18.2 Post-employment Benefits: Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

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1.18.3 Post-employment Benefits: Defined Benefit Plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

1.18.4 Post-retirement Health Care Benefits

The Municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The **defined benefit** liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1.18.5 Long-service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.19 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Municipality as Lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

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ACCOUNTING POLICIES

Municipality as Lessee (continued):

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. Other rental income is recognised on an ad hoc basis through the renting of municipal facilities such as halls, sports grounds etc. and is charged using the relevant approved tariffs.

1.20 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Service Charges – exchange revenue

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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Service Charges – exchange revenue (continued):

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid Electricity – exchange revenue

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Sale of goods – exchange revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rates and Taxes – non-exchange revenue

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines – non-exchange revenue

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Revenue (interest earned/investment income)

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Donations and Contributions – non-exchange revenue

Donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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ACCOUNTING POLICIES

Transfers and subsidies – non-exchange revenue

Unconditional Grants

Equitable share allocations are recognised in revenue at the start of the financial year as and when received.

Conditional Grants

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Transfers and subsidies – non-exchange expenditure

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.21 Value added taxes (VAT)

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with Section 15(2) of the VAT Act (Act 89 of 1991).

The annual financial statements have been prepared on the accrual basis of accounting. The municipality declares output tax and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

The Municipality accounts for VAT on the cash basis.

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ACCOUNTING POLICIES

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Unauthorised Expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- (i) Overspending of the total amount appropriated in the municipality's approved budget.
- (ii) Overspending of the total amount appropriated for a vote in the approved budget.
- (iii) Expenditure from a vote unrelated to the department or functional area covered by the vote.
- (iv) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- (v) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation otherwise than in accordance with any conditions of the allocation; or -
- (vi) A grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

ACCOUNTING POLICIES

1.25 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation is disclosed in the notes to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 April 2018 or later periods:

Standards

- GRAP 20 - Related Parties (Not yet effective)
- GRAP 32 - Service Concession arrangements: Grantor (Not yet effective)
- GRAP 34 - Separate financial statements (Not yet effective)
- GRAP 35 - Consolidated financial statements (Not yet effective)
- GRAP 36 - Investment in associates and Joint ventures (Not yet effective)
- GRAP 37 - Joint Arrangements (Not yet effective)
- GRAP 38 - Disclosure in interest in other entities (Not yet effective)
- GRAP 108 - Statutory receivables (Not yet effective)
- GRAP 109 - Accounting by principles and agents (Not yet effective)
- GRAP 110 - Living and non-living resources (Not yet effective)

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that other than additional disclosure, the impact of the standards on the financial statements will be minimal.

THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 3 Property, plant and equipment

Category	2020			
	Cost	Accumulated depreciation	Accumulated Impairment	Carrying value
Land	8 773 662	-	-	8 773 662
Machinery and Equipment	1 038 807	(893 934)	-	144 873
Furniture and Office Equipment	12 204 110	(9 285 301)	-	2 918 810
Transport assets	8 244 428	(6 296 160)	-	1 948 268
Computer equipment	3 777 890	(3 688 435)	-	89 455
Road Infrastructure	570 601 387	(310 073 334)	-	260 528 053
Community assets	268 260 364	(185 246 065)	-	83 014 299
Electrical Infrastructure	90 925 582	(59 104 617)	-	31 820 965
Solid Waste Infrastructure	824 162	(592 812)	-	231 350
Work in progress	74 721 425	-	-	74 721 425
Sanitation Infrastructure	127 644 681	(82 119 131)	-	45 525 550
Water Infrastructure	355 385 311	(169 625 926)	-	185 759 385
Other assets (Servitudes)	71 375 243	-	-	71 375 243
Total	1 593 777 054	(826 925 716)	-	766 851 338

	2019			
	Cost	Accumulated depreciation	Accumulated Impairment	Carrying value
	8 773 662	-	-	8 773 662
	1 038 807	(857 353)	-	181 455
	12 204 110	(8 889 861)	-	3 314 249
	8 244 428	(6 233 567)	-	2 010 861
	3 628 119	(3 420 955)	-	207 164
	553 018 558	(300 093 814)	-	252 924 744
	259 042 152	(172 701 974)	-	86 340 178
	90 925 582	(57 263 519)	-	33 662 063
	824 162	(540 005)	-	284 158
	19 899 367	-	-	19 899 367
	127 644 681	(80 388 708)	-	47 255 973
	355 385 311	(159 355 398)	-	196 029 913
	71 375 243	-	-	71 375 243
	1 512 004 184	(789 745 153)	-	722 259 030

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - 2020

Category	2020						
	Cost				Work in progress reconciliation		
	Opening balance	Additions	Disposals	Transfer in/(out)	Opening balance	Additions to WIP	Transfers (out)
Land	8 773 662	-	-	-	-	-	-
Machinery and Equipment	1 038 807	-	-	-	-	-	-
Furniture and Office Equipment	12 204 110	-	-	-	-	-	-
Transport assets	8 244 428	-	-	-	-	-	-
Computer equipment	3 628 119	149 771	-	-	-	-	-
Road Infrastructure	553 018 558	-	-	17 582 829	8 268 512	9 314 317	(17 582 829)
Community assets	259 042 152	-	-	9 218 212	326 242	17 960 412	(9 218 212)
Electrical Infrastructure	90 925 582	-	-	-	-	-	-
Solid Waste Infrastructure	824 162	-	-	-	-	-	-
Work in progress	19 899 367	54 822 058	-	-	-	-	-
Sanitation Infrastructure	127 644 681	-	-	-	-	-	-
Water Infrastructure	355 385 311	-	-	-	11 304 612	54 348 370	-
Other assets (Servitudes)	71 375 243	-	-	-	-	-	-
Total	1 512 004 184	54 971 829	-	26 801 041	19 899 366	81 623 099	(26 801 041)

Reconciliation of property, plant and equipment - 2019

Category	2019						
	Cost				Work in progress reconciliation		
	Opening balance	Additions	Disposals	Transfer in/(out)	Opening balance	Additions to WIP	Transfers (out)
Land	8 773 662	-	-	-	-	-	-
Machinery and Equipment	1 038 807	-	-	-	-	-	-
Furniture and Office Equipment	12 204 110	-	-	-	-	-	-
Transport assets	7 550 607	693 821	-	-	-	-	-
Computer equipment	3 628 119	-	-	-	-	-	-
Road Infrastructure	553 018 558	-	-	-	-	8 268 512	-
Community assets	259 042 152	-	-	-	-	326 242	-
Electrical Infrastructure	80 926 452	-	-	9 999 130	996 238	9 002 892	(9 999 130)
Solid Waste Infrastructure	824 162	-	-	-	-	-	-
Work in progress	996 238	28 902 259	-	(9 999 130)	-	-	-
Sanitation Infrastructure	127 644 681	-	-	-	-	-	-
Water Infrastructure	355 385 311	-	-	-	-	11 304 612	-
Other assets (Servitudes)	71 375 243	-	-	-	-	-	-
Total	1 482 408 104	29 596 080	-	-	996 238	28 902 259	(9 999 130)

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

Repairs and maintenance to property plant and equipment are included in note 31

There are no slow moving WIP projects

There are no restrictions to any of the Municipality's property plant and equipment.

2020						
Accumulated depreciation and impairment					Closing balance	Net carrying value
Opening balance	Depreciation	Impairment	Disposals	Impairment on disposal		
-	-	-	-	-	-	8 773 662
(857 353)	(36 582)	-	-	-	(893 934)	144 873
(8 889 861)	(395 440)	-	-	-	(9 285 301)	2 918 810
(6 233 567)	(62 593)	-	-	-	(6 296 160)	1 948 268
(3 420 955)	(267 480)	-	-	-	(3 688 435)	89 455
(300 093 814)	(9 979 520)	-	-	-	(310 073 334)	260 528 053
(172 701 974)	(12 544 091)	-	-	-	(185 246 065)	83 014 299
(57 263 519)	(1 841 098)	-	-	-	(59 104 617)	31 820 965
(540 005)	(52 808)	-	-	-	(592 812)	231 350
-	-	-	-	-	-	74 721 425
(80 388 708)	(1 730 423)	-	-	-	(82 119 131)	45 525 550
(159 355 398)	(10 270 529)	-	-	-	(169 625 926)	185 759 385
-	-	-	-	-	-	71 375 243
(789 745 153)	(37 180 562)	-	-	-	(826 925 716)	766 851 338

2019						
Accumulated depreciation and impairment					Closing balance	Net carrying value
Opening balance	Depreciation	Impairment	Disposals	Impairment on disposal		
-	-	-	-	-	-	8 773 662
(820 771)	(36 582)	-	-	-	(857 353)	181 455
(8 494 421)	(395 440)	-	-	-	(8 889 861)	3 314 249
(6 170 974)	(62 593)	-	-	-	(6 233 567)	2 010 861
(2 153 475)	(1 267 480)	-	-	-	(3 420 955)	207 164
(281 677 273)	(18 416 541)	-	-	-	(300 093 814)	252 924 744
(161 157 883)	(11 544 091)	-	-	-	(172 701 974)	86 340 178
(55 422 421)	(1 841 098)	-	-	-	(57 263 519)	33 662 063
(487 197)	(52 808)	-	-	-	(540 005)	284 158
-	-	-	-	-	-	19 899 367
(78 658 286)	(1 730 423)	-	-	-	(80 388 708)	47 255 973
(149 084 869)	(10 270 529)	-	-	-	(159 355 398)	196 029 913
-	-	-	-	-	-	71 375 243
(744 127 570)	(45 617 583)	-	-	-	(789 745 153)	722 259 030

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 3 Property plant and equipment continued

Infrastructure and Community Assets: Annual review discussions were conducted with all Strategic Business Units during which impairment triggers and asset performance indicators were discussed and possible impairments were identified. In addition, insurance claims were also reviewed and considered as identifiers of possible impairment triggers. During physical field assessment, information pertaining to the condition and performance of these assets were recorded and further analysed to establish the impact on the value in use of identified components.

Moveable assets: During the asset verification, movable assets were identified that were not on the asset register. The assets were fair valued.

During the year Remaining Useful Lives have been reviewed on all depreciable assets. However, during the revaluation of infrastructure and the holistic approach adopted in the review of all asset portfolios. No assets were identified with remaining useful life that required to be changed. As a result, no change in accounting estimate are required during the current financial year.

Included on the face of the Statement of financial performance is the costs incurred for routine repairs and maintenance of fixed assets. These costs don't meet the definition of an asset, therefore, were expensed them during the current financial year.

	2020
Maintenance of Buildings and Facilities	-
Maintenance of Equipment	10 521 328
Maintenance of Unspecified Assets	7 829 673
	18 351 001
	2019
Maintenance of Buildings and Facilities	44 247
Maintenance of Equipment	792 980
Maintenance of Unspecified Assets	9 115 582
	9 952 809

THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

THABAZIMBI LOCAL MUNICIPALITY

Note 4 Biological assets

2020		
Cost/Valuation	Fair value adjustment	Carrying value
Biological assets	1 435 600	(396 800)
		1 038 800

2019		
Cost/Valuation	Fair value adjustment	Carrying value
Biological assets	760 592	675 008
		1 435 600

Reconciliation of biological assets

2020			
Cost/Valuation	Transfers	Fair value adjustments	Carrying value
Biological assets	1 435 600	-	(396 800)
			1 038 800

2019			
Cost/Valuation	Transfers	Fair value adjustments	Carrying value
Biological assets	760 592	-	675 008
			1 435 600

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued):

Note 5 - Intangible assets

	2020			2019		
	Cost	Accumulated Amortisation and Impairment	Carrying value	Cost	Accumulated Amortisation and Impairment	Carrying value
Computer Software	462 285	462 285	-	462 285	308 190	154 095
Total	462 285	462 285	-	462 285	308 190	154 095

Reconciliation of intangible assets - 2020

	Cost			Accumulated amortisation			Carrying value
	Opening balance	Additions	Closing balance	Opening balance	Amortisation	Impairment	
Computer Software	462 285	-	462 285	308 190	154 095	-	-
Total	462 285	-	462 285	308 190	154 095	-	-

Reconciliation of intangible assets - 2019

	Cost			Accumulated amortisation			Carrying value
	Opening balance	Additions	Closing balance	Opening balance	Amortisation	Impairment	
Computer Software	462 285	-	462 285	154 095	154 095	-	154 095
Total	462 285	-	462 285	154 095	154 095	-	154 095

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 6 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash at bank
Call deposits
Marketable securities
Petty cash

Bank Guarantee

Call deposits and marketable securities earn interest rates depending on the market.

The municipality had the following bank accounts

Account number / description

Investment accounts

ABSA Bank Limited: Account Number 9301244384
ABSA Bank Limited: Account Number 2057649514
Marketable securities

Transactional accounts

ABSA Bank Limited: Account Number 1580000009
ABSA Bank Limited: Account Number 4058303004
ABSA Bank Limited: Account Number 4094737590
Petty cash

Total

The municipality had the following cash books

Account number / description

Investment accounts

ABSA Bank Limited: Account Number 9301244384
ABSA Bank Limited: Account Number 2057649514
Marketable securities

Transactional accounts

ABSA Bank Limited: Account Number 1580000009
ABSA Bank Limited: Account Number 4058303004
ABSA Bank Limited: Account Number 4094737590
Petty cash

Total

Note 7 Trade and other receivables from exchange transactions

Net customer service debtors

Customer service debtors comprise:

Electricity
Waste Management (Refuse)
Waste Water Management (Sewerage and sanitation charges)
Water
Service charges

Net other receivables

Other receivables comprise:

Land sale debtors
Merchandising Jobbing and Contracts
Property rental debtors
Other debtors

Total

Gross customer service debtors

Gross customer service debtors comprise:

Electricity
Waste Management (Refuse)
Waste Water Management (Sewerage and sanitation charges)
Water
Service charges

Other receivables

Other receivables comprise:

Land sale debtors
Merchandising Jobbing and Contracts
Property rental debtors
Other debtors

Total

2020	2019 Restate
1 045 438	2 126 876
845 485	34 600 646
110 390	103 030
5 442	5 442
2 006 754	36 835 994
-	-

30-Jun-20	30-Jun-19
766 293	34 527 455
79 192	73 190
110 390	103 030
807 313	2 039 189
-	139
238 125	87 548
5 442	5 442
2 006 755	36 835 994

30-Jun-20	30-Jun-19
766 293	34 527 455
79 192	73 190
110 390	103 030
807 313	2 039 189
-	139
238 125	87 548
5 442	5 442
2 006 755	36 835 993

13 196 024	12 766 420
13 350 401	11 694 221
22 523 008	19 576 603
47 736 824	27 417 290
284 917	186 869
97 091 174	71 641 404

39 391	42 821
4 037 783	4 800 878
587 280	2 821 182
8 805 438	10 198 837
13 469 892	17 863 718

110 561 066	89 505 122
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26 209 271	24 110 989
48 812 498	40 421 300
77 662 714	64 771 992
135 413 801	96 027 641
1 432 303	1 136 084
289 530 587	226 468 007

518 227	519 438
79 443 485	84 259 688
4 045 918	3 609 514
8 805 438	10 198 837
92 813 068	98 587 477

382 343 655	325 055 484
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 7 Trade and other receivables from exchange transactions (continued):

2020
2019
Restate

Provision for customer service debtors

Customer service debtors comprise:

Electricity
Waste Management (Refuse)
Waste Water Management (Sewerage and sanitation charges)
Water
Service charges

(13 013 247)	(11 344 569)
(35 462 097)	(28 727 079)
(55 139 706)	(45 195 389)
(87 676 977)	(68 610 351)
(1 147 386)	(949 215)
(192 439 413)	(154 826 603)

Provision for Other receivables

Other receivables comprise:

Land sale debtors
Merchandising Jobbing and Contracts
Property rental debtors
Other debtors

(478 836)	(476 617)
(75 405 702)	(79 458 810)
(3 458 637)	(788 332)
-	-
(79 343 176)	(80 723 759)

Total

(271 782 589)	(235 550 362)
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Aging of trade and other receivables from exchange transactions gross debtors - 2020

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Electricity	4 124 503	1 776 367	1 594 707	18 713 694
Merchandising Jobbing and Contracts	488 752	364 611	356 225	78 233 897
Property Rental Debtors	59 826	58 299	57 255	3 870 539
Service charges	15 290	9 726	9 723	1 397 563
Waste Management	1 700 128	1 329 644	1 274 174	44 508 552
Waste Water Management	4 105 916	2 149 505	2 099 680	69 307 613
Water	17 377 977	4 239 462	3 761 489	110 034 873
Land Sale Debtors	3 474	3 480	3 480	507 792
Other debtors	8 805 438	-	-	-
Less: provision for impairment	(27 098 202)	(9 678 334)	(8 829 203)	(226 176 850)
	9 583 103	252 760	327 530	100 397 673

Aging of trade and other receivables from exchange transactions gross debtors - 2019

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Electricity	3 530 905	1 749 303	1 563 492	17 267 288
Merchandising Jobbing and Contracts	1 626 751	375 478	360 531	81 896 928
Property Rental Debtors	2 571 200	34 381	31 152	972 780
Service charges	30 172	20 343	11 487	1 074 082
Waste Management	1 396 937	1 274 668	1 110 250	36 639 446
Waste Water Management	3 198 524	2 105 312	1 854 213	57 613 942
Water	3 184 876	4 149 927	2 972 208	85 720 631
Land Sale Debtors	3 887	3 919	3 923	507 710
Other debtors	10 198 837	-	-	-
Less: provision for impairment	-	-	-	(235 550 362)
	25 742 089	9 713 331	7 907 257	46 142 445

Reconciliation of the provision for impairment

Balance at the beginning of the year
Impairment losses recognised
Impairment losses reversed
Amounts written off as irrecoverable

(235 550 362)	(194 957 800)
(36 232 227)	(40 592 562)
-	-
-	-
(271 782 589)	(235 550 362)

None of the trade and other receivables were pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 8 Trade and other receivables from non-exchange transactions

	2020	2019 Restated
Trade and other receivables from non-exchange transactions consist of:		
Property rates debtors	39 350 294	32 231 889
Traffic fines debtors	3 297 460	2 107 030
	42 647 754	34 338 919
Gross debtors		
Property rates debtors	88 252 470	59 016 050
Traffic fines debtors	3 297 460	2 107 030
	91 549 930	61 123 080
Less: Provision for impairment		
Property rates debtors	(48 902 176)	(26 784 161)
Traffic fines debtors	-	-
	(48 902 176)	(26 784 161)
Net debtors		
Property rates debtors	39 350 294	32 231 889
Traffic fines debtors	3 297 460	2 107 030
	42 647 754	34 338 919

Aging of property rates gross debtors - 2020

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Business and Commercial	1 579 284	1 112 231	1 055 821	13 908 548
Agricultural Purposes	550 102	437 970	422 736	15 028 773
Industrial Properties	110 196	59 470	43 222	449 348
Public Benefit Organisations	686	685	684	20 702
Residential Developed	3 182 753	1 858 048	1 752 552	37 839 145
Residential Vacant Land	1 221	827	846	102 450
State owned properties	28 042	26 096	26 032	758 251
Mining Properties	2 022 344	455 271	420 154	4 997 984
Less: provision for impairment	-	-	-	(48 902 176)
	7 474 626	3 950 597	3 722 046	24 203 025

Aging of property rates gross debtors - 2019

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Business and Commercial	1 426 363	1 332 035	750 684	6 611 526
Agricultural Purposes	353 984	333 656	505 461	10 582 084
Industrial Properties	98 014	48 018	33 815	251 276
Public Benefit Organisations	1 567	1 563	1 552	31 503
Residential Developed	3 050 576	1 835 762	1 627 071	24 227 202
Residential Vacant Land	1 977	1 917	1 949	174 665
State owned properties	30 052	29 839	229 557	567 371
Mining Properties	1 761 598	252 272	169 191	2 691 947
Less: provision for impairment	-	-	-	(26 784 161)
	6 724 132	3 835 063	3 319 280	18 353 413

Reconciliation of the provision for impairment

Balance at the beginning of the year	(26 784 161)	(27 143 740)
Impairment losses recognised	(22 118 015)	-
Impairment losses reversed	-	359 579
Amounts written off as irrecoverable	-	-
	(48 902 176)	(26 784 161)

Note 9 Inventories

Consumables	4 302 944	2 200 550
Materials and Supplies	1 223 866	1 292 342
Water	214 226	187 543
	5 741 036	3 680 434
Gross inventory		
Consumables	4 302 944	2 350 715
Materials and Supplies	1 223 866	1 292 342
Water	214 226	187 543
	5 741 036	3 830 600
Provision for redundant, obsolete and slow moving stock		
Consumables	-	(150 165)
Materials and Supplies	-	-
Water	-	-
	-	(150 165)

No inventory was pledged as security for liabilities.
Inventory expensed during the period amounted to R1,784,605 (2019: R837 345).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 10 Borrowings

	2020	2019 Restated
Development Bank of South Africa	1 970 128	3 009 229
Split as follows:		
Non-current portion	686 619	1 629 005
Current portion (payable in the next 12 months)	1 283 509	1 380 224
	1 970 128	3 009 229

The loan from DBSA bears interest at 9.62% and is redeemable in monthly instalments, including interest, until January 2022.

Note 11 Provisions

Environmental rehabilitation provision (Landfill sites)

Opening balance	51 972 200	48 653 993
Change in landfill closure provision	(8 782 375)	(265 308)
Interest cost	4 141 386	3 583 515
Other movements	-	-
	47 331 211	51 972 200

The provision for environmental rehabilitation relates to the rehabilitation of the landfill sites and are split as follows:

Non-current portion	45 246 706	49 908 295
Current portion	2 084 505	2 063 905
	47 331 211	51 972 200

The key financial assumptions used for the calculation of the landfill site provision are detailed below:

For Northam (old) landfill site

Consumer price inflation (CPI)	2.410%	4.195%
Discount rate	5.910%	7.695%
Net effective discount rate	3.50%	3.50%

For Northam (new) landfill site

Consumer price inflation (CPI)	2.410%	4.195%
Discount rate	6.910%	7.945%
Net effective discount rate	4.50%	3.75%

For Donkerpoort, Leeupoort and Rooiberg landfill

Consumer price inflation (CPI)	2.410%	4.195%
Discount rate	7.410%	8.195%
Net effective discount rate	5.00%	4.00%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 12 Employee benefit obligations

Post-Retirement Medical Obligation	27 227 000	29 560 278
Long Service Awards	9 575 000	9 986 768
Total employee benefit obligations	36 802 000	39 547 046

Non-current portion

Post-Retirement Medical Obligation	26 594 000	28 988 612
Long Service Awards	8 713 000	9 070 146
	35 307 000	38 058 758

Current portion

Post-Retirement Medical Obligation	633 000	571 666
Long Service Awards	862 000	916 622
	1 495 000	1 488 288

12.1 Post-Retirement Medical Obligation

Balance at beginning of year	29 560 278	28 162 928
Current service cost	1 202 511	1 224 295
Interest cost	2 819 762	2 720 258
Actuarial (gain) / losses	(6 355 551)	(2 547 203)
Balance at end of year	27 227 000	29 560 278

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by ARCH Actuarial Consulting, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Medical Benefit are made up as follows:

In-service Members (Employees)	177	172
In-service Non-members (Employees)	144	162
Continuation Members (Retirees, widowers and orphans)	16	14
Total members	337	348

The unfunded liability in respect of past service has been estimated as follows:

In-service Members (Employees)	18 040 000	19 805 966
In-service Non-members (Employees)	1 996 000	2 285 157
Continuation Members (Retirees, widowers and orphans)	7 191 000	7 469 155
Total liability	27 227 000	29 560 278

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

12.1 Post-Retirement Medical Obligation (continued):

2020

2019
Restated

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- (i) Bonitas
- (ii) Keyhealth
- (iii) LA Health
- (iv) Samwumed
- (v) Hosmed

The Current-service Cost for the year ending 30 June 2020 is estimated to be R1,202,511, whereas the cost for the ensuing year is estimated to be R889,000 (30 June 2019: R1,224,295 and R1,911,238 respectively).

The key financial assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	10.88%	9.63%
Health Care Cost Inflation Rate	6.87%	7.04%
Net Effective Discount Rate	3.75%	2.42%
Average retirement age	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at beginning of year	29 560 278	28 162 928
Current service cost	1 202 511	1 224 295
Interest cost	2 819 762	2 720 258
Actuarial (gain) / losses	(6 355 551)	(2 547 203)
Balance at end of year	27 227 000	29 560 278

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	27 227 000	29 560 278
Unfunded Accrued Liability	27 227 000	29 560 278

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 202 511	1 224 295
Interest cost	2 819 762	2 720 258
Actuarial losses / (gains)	(6 355 551)	(2 547 203)
	(2 333 278)	1 397 350

The history of experienced adjustments is as follows:

	2020	2019	2018	2017
Present Value of Defined Benefit Obligation	27 227 000	29 560 278	28 162 928	33 393 000
Fair value of plan assets	-	-	-	-
Experience adjustments	1 038 000	-235 000	911 000	2 530 000

The effect of a 1% movement in the key assumptions is detailed below:

Increase:		
Health care inflation rate	32 164 000	35 372 000
Discount rate	23 438 000	25 111 000
Decrease:		
Health care inflation rate	23 279 000	24 978 000
Discount rate	32 013 000	35 277 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

12.2 Long Service Awards

	2020	2019 Restated
Balance at beginning of year	9 986 768	8 461 755
Current service cost	1 015 530	869 290
Interest cost	780 165	687 499
Actuarial (gain) / losses	(2 207 463)	(31 776)
Balance at end of year	9 575 000	9 986 768

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long service based on historical staff turnover.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by ARCH Actuarial Consulting, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 321 (2019: 334) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2020 is estimated to be R1,015,530, (2019: R869,290), whereas the cost for the ensuing year is estimated to be R889,000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.36%	8.18%
General earnings inflation rate (long-term)	3.98%	6.20%
Net Effective Discount Rate	3.25%	2.26%
Average retirement age	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	9 986 768	8 461 755
Current service costs	1 015 530	869 290
Interest cost	780 165	687 499
Actuarial (gains) / losses	(2 207 463)	(31 776)
	9 575 000	9 986 768

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	9 575 000	9 986 768
Unfunded Accrued Liability	9 575 000	9 986 768

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 015 530	869 290
Interest cost	780 165	687 499
Actuarial (gains) / losses	(2 207 463)	(31 776)
	(411 768)	1 525 013

The history of liabilities, assets and experience adjustments is as follows:

	2020	2019	2018	2017
Present Value of Defined Benefit Obligation	9 575 000	9 986 768	8 461 755	6 965 864
Fair value of plan assets	-	-	-	-
Experience adjustments	(855 841)	1 055 348	785 978	209 048

The effect of a 1% movement in the key assumptions is detailed below:

Increase:		
General earnings inflation rate	10 181 000	10 662 000
Discount rate	9 011 000	9 357 000
Decrease:		
General earnings inflation rate	9 024 000	9 375 000
Discount rate	10 205 000	10 694 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 13 Consumer deposits

	2020	2019 Restated
Consumer deposits	4 178 703	4 028 784
	4 178 703	4 028 784

Note 14 Trade and other payables from exchange transactions

Current portion of trade and other payables from exchange transactions

Trade payables	183 601 990	126 183 564
Advance payments	7 763 889	5 170 395
Agency fees payable	22 124 841	23 948 805
Payroll clearing and control accounts	5 460 854	5 029 431
Inventory clearing and control account	730 313	703 630
Leave accrual	17 086 244	14 540 476
Bonus accrual	3 204 202	2 789 359
Unallocated deposits	6 508 078	5 047 752
Retention	13 583 391	7 818 374
	260 063 802	191 231 786

Non-current portion of trade and other payables from exchange transactions

Trade payables	176 878 214	215 471 884
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Total trade and other payables from exchange transactions

436 942 016	406 703 670
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The Municipality has payment arrangements for various large outstanding creditors. The payment arrangements indicate that the debt is payable over a period which exceeds the current (12 months) term. The amount payable over and above a one year period has been disclosed as a non-current liability.

Note 15 Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Integrated National Electrification Programme (INEP)	3 089 944	808
Human Settlements Development Grant	8 231 452	27 509 400
Municipal infrastructure grant (MIG)	-	-
Municipal water infrastructure grant (WSIG)	-	12 999 696
	11 321 396	40 509 904

See note 19 for a reconciliation of grants and receipts from National/Provincial Government.

Note 16 Property rates

Agricultural Property	5 066 449	(1 762 830)
Business and Commercial Properties	15 479 456	15 319 138
Industrial Properties	1 322 784	1 261 201
Mining Properties	17 211 114	16 296 703
Residential Properties	37 687 690	37 758 014
State-owned Properties	281 344	465 551
	77 048 838	69 337 778

Valuations

Residential Properties	4 775 732 918	4 775 732 918
Business and Commercial Properties	1 755 462 407	1 755 462 407
State-owned Properties	171 897 925	171 897 925
Small holdings and farms	8 628 425 340	8 628 425 340
Social and vacant land	880 024 265	880 024 265
	16 211 542 855	16 211 542 855

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Note 17 Fines

Traffic fines issued	1 323 262	1 287 850
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Note 18 Licence and permits

Licence and permits revenue comprise:

Trading licences	15 370	18 723
Drivers Licence Certificate	-	-
	15 370	18 723

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 19 Government grants and subsidies

Operating grants

Equitable share
Financial Management Grant (FMG)
Disaster Relief Grant (DRG)
Expanded public works programme grant (EPWP)

2020	2019 Restated
93 580 000	85 841 000
2 680 000	2 215 000
298 000	-
1 105 000	1 343 000
97 663 000	89 399 000

Capital grants

Municipal infrastructure grant (MIG)
Integrated National Electrification Programme (INEP)
Municipal water infrastructure grant (WSIG)
Human Settlements Development Grant

33 228 000	9 784 000
5 910 864	9 999 192
41 163 210	13 000 304
19 277 948	-
99 580 021	32 783 496

Total Government grants and subsidies

197 243 021	122 182 496
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19.1 Equitable Share

The grant is an unconditional grant and is used for the provision of indigent support through free basic services.

19.2 Finance Management Grant

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Prior period error
Unspent amount at year end

-	-
2 680 000	2 215 000
(2 680 000)	(2 215 000)
-	-
-	-

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. All conditions of the grant were met.

19.3 Disaster relief grant

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Prior period error
Unspent amount at year end

-	-
298 000	-
(298 000)	-
-	-
-	-

The grant is used for COVID-19 disaster related expenses. All conditions of the grant were met.

19.4 EPWP grant

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Prior period error
Unspent amount at year end

-	-
1 105 000	1 343 000
(1 105 000)	(1 343 000)
-	-
-	-

The grant is used for extended public works programmes. All conditions of the grant were met.

19.5 Municipal Infrastructure Grant

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Transfer from Waterberg District
Unspent amount at year end

-	-
33 228 000	9 784 000
(33 228 000)	(9 784 000)
-	-
-	-

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of household. All conditions of the grant were met.

19.6 Integrated National Electrification Grant (INEP)

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Prior period error
Unspent amount at year end

808	-
9 000 000	10 000 000
(5 910 864)	(9 999 192)
-	-
3 089 944	808

This grant is used for electrification projects as part of upgrading of informal settlement areas.

19.7 Municipal water infrastructure grant (WSIG)

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Prior period error
Unspent amount at year end

12 999 696	-
28 163 514	26 000 000
(41 163 210)	(13 000 304)
-	-
-	12 999 696

This grant was used to construct basic municipal water services infrastructure to provide basic services for the benefit of household.

19.8 Human Settlements Development Grant

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Prior period error
Unspent amount at year end

27 509 400	-
-	27 509 400
(19 277 948)	-
-	-
8 231 452	27 509 400

The Human Settlements Development Grant (HSDG) is a schedule 5 grant of which the objective is the creation of sustainable and integrated human settlements that enable improved quality of household life and access to basic services. No conditions of the grant were met and it remains unspent.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 20 Service charges

Sale of electricity
Waste Management (Refuse)
Waste Water Management (Sewerage and sanitation charges)
Sale of water

2020	2019 Restated
73 033 857	67 937 028
15 151 311	16 797 083
24 856 212	23 570 348
56 562 790	54 149 090
169 604 170	162 453 550

Note 21 Rental of facilities and equipment

Rental income comprise of:
Rental of property
Community assets
Other assets

390 015	368 501
32 964	2 589 578
-	-
422 978	2 958 079

Note 22 Licences and permits

Drivers Licence Application/Duplicate Drivers Licences
Agency fee (Department of Transport)
Learners Certificate

-	-
1 823 964	865 771
-	-
1 823 964	865 771

Note 23 Other operational revenue

Collection Charges
Transaction Handling Fees
Incidental Cash Surpluses
Request for Information
Staff Recoveries
Building Plan Approval
Cemetery and Burial
Clearance Certificates
Fire Services
Photocopies and Faxes
Tender Documents
Town Planning and Servitudes

11 556	1 474 555
1 282	264
3 634	7 272
22 509	20 936
5 524	7 840
119 265	216 146
267 872	275 975
19 131	21 287
(707)	52 795
2 357	685
29 250	29 800
18 026	14 083
499 698	2 121 638

Note 24 Interest income

Interest Income comprises of:
Bank
Trade and other receivables

1 465 311	1 304 761
21 908 666	25 002 751
23 373 976	26 307 512

Note 25 Employee related costs

Basic salaries
Bonuses
Medical contributions
Pension contributions
Unemployment Insurance contributions
Bargaining Council
Travel or motor vehicle allowance
Standby allowance
Overtime
Leave pay
Increase in leave accrual
Housing Benefits
Cellular and Telephone allowance
Post retirement benefits: Long service award: current service costs
Post retirement benefits: Medical: current service costs
Post retirement benefits: long service awards: actuarial (gains) / losses
Post retirement benefits: Medical: actuarial (gains) / losses

77 777 448	73 512 579
6 069 791	3 008 544
5 320 753	4 683 025
14 027 789	14 199 754
576 583	574 767
1 211 773	33 519
9 586 555	7 902 989
2 236 935	1 650 187
8 251 024	6 581 932
2 382 250	1 676 448
2 545 769	913 766
413 566	367 325
408 256	61 894
1 015 530	869 290
1 202 511	1 224 295
(2 207 463)	(31 777)
(6 355 551)	(2 547 203)
124 463 520	114 681 334

Remuneration of senior managers

Municipal Manager

Annual Remuneration
Travel allowance
Rural allowance
Bargain council and SDL
Cellphone allowance

1 386 637	1 348 869
247 320	245 010
55 465	53 283
15 881	15 509
7 200	7 200
1 712 504	1 669 870

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 25 Employee related costs (continued):

Chief Financial Officer

Annual Remuneration
Car allowance
Acting Allowance
Short pay
Travel allowance
Contributions to UIF, Medical and Pension Funds
Bargain council and SDL
Rural allowance
Cellphone allowance

2020

2019

Restated

789 582	354 436
126 172	41 786
-	19 785
-	(44 453)
-	10 876
-	196
8 915	3 735
35 583	13 015
6 600	2 207
966 852	401 583

Director: Technical services

Annual Remuneration
Car allowance
Cellphone allowance
Other
Travel allowance

506 073	982 590
-	-
3 000	7 200
24 742	55 355
78 995	169 843
612 811	1 214 988

Director: Corporate Services

Annual Remuneration
Car allowance
Cellphone allowance
Other
Travel allowance

842 226	800 081
-	-
7 200	7 200
51 027	49 067
212 529	225 372
1 112 983	1 081 720

Director: Planning and Development

Annual Remuneration
Car allowance
Cellphone allowance
Other
Travel allowance

798 447	390 413
-	-
7 200	3 600
46 991	51 725
104 320	71 079
956 958	516 817

Note 26 Remuneration of councillors

Mayor
Speaker
Chief whip
Other councillors

905 259	913 759
793 530	738 734
690 045	697 248
6 508 173	7 197 897
8 897 006	9 547 638

Mayor

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund Contributions

748 573	666 294
44 400	55 783
-	93 461
112 286	98 220
905 259	913 758

Speaker

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund and Medical Contributions

570 803	429 354
53 280	56 400
156 146	170 603
13 301	82 377
793 530	738 734

Chief whip

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund Contributions

421 074	418 322
44 400	56 400
161 410	159 941
63 161	62 586
690 045	697 249

Other councillors

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund Contributions

4 179 550	5 111 663
862 877	613 211
772 607	777 880
693 139	695 143
6 508 173	7 197 897

Note 27 Impairment loss

Impairment loss on property, plant and equipment
Impairment loss on Intangible Assets
Inventory impairment: contributions to inventory impairment provision
Debt impairment: contributions to debt impairment provision

-	-
-	-
-	150 165
58 350 242	40 106 257
58 350 242	40 256 422

Note 28 Depreciation and amortisation

Property, plant and equipment
Intangible assets

37 180 562	45 621 703
154 095	154 095
37 334 657	45 775 798

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 29 Finance costs

Current borrowings (DBSA loan)	
Landfill site interest	
Interest cost on post-retirement benefits: Long service awards	
Interest cost on post-retirement benefits: Medical	
Finance lease interest cost	
Interest on late payment to suppliers	

242 464	335 451
4 141 386	3 583 515
780 165	687 499
2 819 762	2 720 258
-	184 149
6 960 640	8 479 630
14 944 417	15 990 502

Note 30 Bulk purchases

Electricity
Water

81 453 849	69 781 516
31 861 263	25 909 841
113 315 111	95 691 357

Note 31 Contracted services

Consultants and Professional Services

Business and Advisory services
Infrastructure and Planning services (Architectural)
Legal Advice and Litigation

2 617 416	3 891 802
712 060	245 620
2 504 727	10 582 756
5 834 203	14 720 178

Contractors

Catering Services
Maintenance of Buildings and Facilities
Maintenance of Equipment
Maintenance of Unspecified Assets
Safeguard and Security
Sewerage Services
Tracing Agents and Debt Collectors

-	23 059
-	44 247
10 521 328	792 980
7 829 673	9 115 582
3 719 860	652 435
69 480	-3 694
-	861 835
22 140 341	11 486 443

Outsourced Services

Research and Advisory
Business and Advisory
Water Connection/Dis-connection
Professional Staff
Refuse Removal

-	9 800
-	-
113	(17 219)
353 557	306 347
-	29 800
353 670	328 728

Total contracted services

28 328 214	26 535 349
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Note 32 Operational costs

Advertising Publicity and Marketing
Communication
Prepaid vendor Commission
Bank Charges, Facility and Card Fees
Contribution to provisions: Landfill site
Telephone Fax Telegraph and Telex
Postage/Stamps/Franking Machines
Entertainment
External Audit Fees
External Computer Service
Indigent Relief
Insurance Underwriting premiums
Learnerships and Internships
Municipal Services
Printing Publications and Books
Professional Bodies Membership and Subscription
Skills Development Fund Levy
Travel and Subsistence
Uniform and Protective Clothing
Workmen's Compensation Fund

613 810	804 614
-	-
10 833 098	9 687 072
234 073	33 824
(8 782 375)	(265 308)
1 819 672	2 063 101
-	92 847
121 648	79 653
5 810 686	5 905 129
(22 777)	639 548
4 375 921	5 952 562
44 264	706 992
-	1 546 389
(32 918)	206 594
518 504	2 218 701
-	25 000
169 125	1 003 473
1 351 720	1 328 900
1 582 271	579 739
732 944	1 594 295
19 369 668	34 203 124

Note 33 Cash generated from operations

Surplus/(Deficit) for the year

Adjustments for non cash items:

Depreciation and amortisation
Impairment loss
Employee related costs provisions (Movement)

Changes in working capital:

Inventories
Trade and other receivables
VAT payable
Trade and other payables

56 919 738	2 158 801
37 334 657	45 775 798
58 350 242	40 256 423
(2 745 046)	5 878 943
(2 060 602)	(1 948 306)
(29 364 780)	(49 300 779)
(9 056 804)	5 852 739
(61 544 445)	19 068 092
47 832 960	67 741 711

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 34 Commitments

34.1 Capital expenditure

Approved and contracted for:
- Infrastructure assets

Approved and not yet contracted for:
- Infrastructure assets

Total capital commitments

2020	2019 Restated
43 842 667	93 747 415
-	-
43 842 667	93 747 415

34.2 Lease commitments

The municipality has the following rental arrangements which are currently on a month to month rental basis until such a time that the leases are renewed. The leases are expected to be renewed within the next financial year once the terms are agreed with the lessor. There is currently therefore no future lease commitments payable by the municipality until the lease agreements are signed. The monthly lease rentals payable to the lessor are as follows:

	Current Monthly rental	Yearly rental
Property		
Erf 361 Thabazimbi Ext 3	20 453	122 718
Erf 369 Thabazimbi Ext 3	34 390	256 275
Rental of printing machines	121 264	1 455 168

34.2 Other operational commitments

The municipality has certain supplier commitments which are required to be paid on a monthly basis to suppliers who have provided services in the past. The monthly commitment payments range from R50,000 to R300,000 depending on the judgement/claim amount. The outstanding balances on these commitments are as follows:

Supplier commitments	7 292 428	7 536 410
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Note 35 Fruitless and wasteful expenditure

Opening
Current year fruitless & wasteful expenditure
Less: Recovered
Less: Written-off
Prior period adjustment

123 312 885	105 753 506
15 617 963	8 479 630
-	-
-	-
-	9 079 749
138 930 847	123 312 885

The reported expenditure comprises of the interest amounts charged on overdue accounts.

Note 36 Irregular expenditure and Unauthorised expenditure

36.1 Irregular expenditure

Opening balance
Current year irregular
Transferred to receivables
Written off

Irregular expenditure awaiting condonement

305 131 409	265 635 488
1 855 754	39 495 921
-	-
-	-
306 987 163	305 131 409

The Municipality will report irregular expenditure to Council, MEC for Local Government, Treasury and AGSA.

36.2 Unauthorised expenditure

Opening balance
Current year unauthorised

Unauthorised expenditure awaiting condonement

488 630 580	488 630 580
-	-
488 630 580	488 630 580

The Municipality will report unauthorised expenditure to Council, MEC for Local Government, Treasury and AGSA.

36.3 Deviations from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and these are reported appropriately in the annual financial statements.

The amounts below represent the quotation and tender deviation for the year as approved by the Accounting Officer. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations for the 2019/2020 financial year in terms of the Supply Chain Management Regulations amounted to R1,820,912 (2019: R1,923,640).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

36.3 Deviations from supply chain management regulations (continued):

Description and reason of deviation

2020

Repairs of a Faulty 11KV Underground cable. Due to ageing infrastructure, the transfer pumps at the sewer transfer stations at Thabazimbi Ext 35 and Ext 37 were worn out. The sewer spilled throughout the area contaminating ground water and posing health threads to residents around the area. Suitable pumps are required to replace the worn out or damaged pumps to ensure pumping is continuous in that part of the area.	130 520
Strip and quote for two sewer pumps at zeldri park. On the 15th of July 2019, Zeldri Park (Doorhoek area) sewer network was overflowing due to the fact that it is not connected to the sewer network line, During the development of the extension, the developer installed a working station which was handed over to the municipality. An appointment of service provider to remedy the situation for quality of service as regulated by NERSA (NRS047).	123 060
urgent appointment of a service provider in supplying and installation of couplings. On the 24th of July 2019, there was a matter of urgency to repair burst pipes at Thabazimbi and the following material that should be supplied and installed. • 410mm VJ Couplings x2 • Pressure Rating PN25 An urgent appointment of service provider to remedy the situation for repairing burst pipes.	67 140
Repairing of servers. On the 25th of September 2019, the MS Exchange, WSUS and VMS servers has been found crashed and the internal investigation was done to identify the cause of the crash. Therefore there is urgency in repairing of server in order to facilitate and manage emails of all employees. An urgent appointment of service provider to remedy the situation in repairing of servers.	130 653
Accommodation and conference booking for Mr G Tloubatla, Ms Mabotja, Mr J Matlou and Mr L Makwati attending Munsoft national user group at Emperors Palace (Kempton Park). On the 14th of November 2019, Munsoft sent an invitation to attend the Munsoft National Meeting exclusively for local Government to be held from 1st to 3rd of December 2019 at Emperors Palace, in the Gauteng Province. Deviation from, and ratification of minor breaches of procurement processes for goods or services are produced or available from a single provider only (Munsoft).	35 650
Urgent payment of calibration of lidar and pack battery carry leather large incl 12AH 12V batt. The legislation dictate that all the equipment's used to measure the speed of a motor vehicle or the fitness of such vehicle must be calibrated according to the period specified by the manufacture. This equipment is used to measure the speed of a motor vehicle or the fitness of such vehicle must be calibrated according to the period specified by the manufactured.	10 814
Urgent payment of calibration of lidar and pack battery carry leather large incl 12AH 12V batt. On the 09th of December 2019, The Refuse Truck CTS492L (Mercedes-Benz) went for servicing and repairs at Maemo Motors Commercial Vehicle which is a franchised Dealer that deals with Mercedes-Benz, smart and FUSO Vehicles. An urgent appointment and payment to a service provider for servicing and repairing the Refuse Truck CTS492L to remedy the situation.	53 016
Urgent appointment and payment to a service provider for service and repair of refuse truck CTS492L. On the 03th of March 2020, The Refuse Truck CTS492L (Mercedes-Benz) had to be repaired due to not been functional to carry out essential tasks. The main problem is they had to repair the seals, get new bearings for cylinder, a new pressure release valve, and weld crack nippels, put in a new cylinder, put in new rails for cylinder, put in a new split pins and spray paint in order for the Truck to be used for its purpose.	68 021
Urgent appointment and payment to a service provider for repairing of y-piece. On the 05th of February 2020, there was an urgent appointment for a service provider to assist in repairing of Y-Piece to remedy the situation.	72 200
Urgent appointment of a service provider in repairing of main pipe line. On the 13th of April 2020, there was a matter of urgency to repair burst pipes at Thabazimbi (Khumba premises).	130 800
Urgent appointment of a service provider for procurement of water trucks to deliver water in Thabazimbi (during lockdown of COVID-19). On the 25th of March 2020, there was a matter of urgency for the procurement of water trucks to deliver water in Thabazimbi (during lockdown of covid-19) and the following equipment that should be supplied: 3X Water Trucks An urgent appointment of service provider to remedy the situation in procuring water trucks to deliver water in Thabazimbi (during lockdown of covid-19).	464 715
Urgent appointment of a service provider in providing of JoJo tanks. On the 23th of March 2020, there was a matter of urgency to provide JOJO tanks to areas around Thabazimbi (to provide water to informal settlements as it is a fundamental necessity) due to the COVID pandemic. An urgent appointment of service provider to remedy the situation to provide JOJO tanks.	107 920
Urgent appointment of a service provider in providing of JoJo tanks. On the 15th of May 2020, there was a matter of urgency in servicing of the Water Tanker Truck (HS53WVGP) in order for the Truck to work in its full operational capacity in providing water to areas around Thabazimbi. Providing water to formal /informal settlements as it is a fundamental necessity) due to the COVID pandemic. An urgent appointment of service provider to remedy the situation in servicing of the Water Tanker Truck (HS53WVGP).	10 208
Urgent appointment of a service provider in repairing of main pipe line. On the 15th of May 2020, there was a matter of urgency to repair burst pipes at Thabazimbi and the following material that should be supplied and installed. • Supply 406/10mm/6m pipe(with flanges) • Repair bulk line An urgent appointment of service provider to remedy the situation for repairing burst pipes.	173 000
Urgent appointment of a service provider in maintenance and construction of 160m lines. On the 27th of May 2020, there was a matter of urgency to maintain the 160m line. An urgent appointment of service provider to remedy the situation for maintenance and construction of the 160m line.	94 645
The vehicle testing station has to comply in accordingly to regulation 129 of the National Road Traffic Act no.93 of 1996 and also to function in accordance with code of practice 10216/2010. According to legislation, a vehicle testing station has to calibrate once in a year by accredited institution to be operational and serviceable to community.	14 632
Calibration of vehicle testing station (sole provider). On the 09th of December 2019, The Refuse Truck CTS492L (Mercedes-Benz) went for servicing and repairs at Maemo Motors Commercial Vehicle which is a franchised Dealer that deals with Mercedes-Benz,smart and FUSO Vehicles. An urgent appointment and payment to a service provider for servicing and repairing the Refuse Truck CTS492L to remedy the situation.	133 918

1 820 912

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 37 Prior period errors and reclassifications

Prior period errors and reclassifications - Prepaid Electricity

In the previous year, certain prepaid revenue transactions relating to prepaid electricity revenue were not recorded. Only the net cash receipts from the prepaid vendor was recorded. These net cash receipts were also incorrectly presented under water revenue, instead of electricity revenue. The effect of the prior period error (unrecorded revenue and debtors) and the reclassification (Water revenue to electricity revenue) are as follows:

	2019
Trade and other receivables from exchange transactions previously presented	79 304 592
Add: Increase in debtors - prepaid revenue receivable from vendor	10 200 530
Trade and other receivables from exchange transactions restated	<u>89 505 122</u>
VAT receivable previously presented	8 735 707
Add: Decrease in VAT receivable - prepaid revenue VAT Output	(1 330 502)
VAT receivable restated	<u>7 405 205</u>
Service charges previously reported	143 896 453
Add: increase in revenue as a result of the prepaid electricity revenue	18 557 097
Service charges restated	<u>162 453 550</u>
Electricity revenue previously reported	40 673 891
Less: prepaid electricity incorrectly captured to water revenue (reclassified to Electricity)	8 706 041
Add: increase in revenue as a result of the prepaid electricity revenue	18 557 096
Electricity revenue restated	<u>67 937 028</u>
Water revenue previously reported	62 855 131
Less: prepaid electricity incorrectly captured to water revenue (reclassified to Electricity)	(8 706 041)
Water revenue restated	<u>54 149 090</u>
Operational costs previously reported	24 749 183
Add: Increase as a result of commission paid to prepaid vendor	9 687 072
Add: change in rehabilitation of landfill site provision	(233 131)
Operational costs restated	<u>34 203 124</u>

Prior period errors - Landfill site

In the previous year, the rehabilitation provision for one of the municipal landfill sites was not recognised. A restatement has been effected in order to correctly recognise this provision. The impact of the correction of the error is as follows:

	Previously presented	Increase in provision	Restated amount
Rehabilitation provision			
Opening Balance	40 765 655	7 888 338	48 653 993
Change in landfill closure provision	(32 177)	(233 131)	(265 308)
Interest charge	2 965 251	618 264	3 583 515
Closing Balance	<u>43 698 729</u>	<u>8 273 471</u>	<u>51 972 200</u>

The correction above impacted the following components:

	Previously presented	Correction of error	Restated amount
Statement of financial position			
Provisions	43 698 729	8 273 471	51 972 200
Statement of financial performance			
Operational costs (excluding impact of prepaid vendor commission)	24 749 183	(233 131)	24 516 052
Finance costs	15 372 238	618 264	15 990 502
Statement of changes in net assets			
Prior period error	-	7 888 338	7 888 338

Prior period errors - Bonus accrual

In the previous year, the bonus accrual was incorrectly calculated. The bonus accrual has been recalculated and the effect is as follows:

	2019
Bonus accrual previously presented	4 910 941
Less: decrease in the bonus accrual after recalculation	(2 121 582)
Bonus accrual restated	<u>2 789 359</u>

Finance lease liabilities

The finance lease liabilities have been reduced to Rnil due to the fact that the lender reduced the amount owed to them when paying their service charges invoices. Therefore the balance was no longer payable.

Property plant and equipment

The Municipality embarked on a project to cleanse their fixed asset register during the year. This process resulted in the following prior period errors

	2019
Balance previously presented	712 353 193
Add: Increase as a result of assessment of useful lives	9 905 837
Property plant and equipment restated	<u>722 259 030</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 38 Additional disclosure in terms of Municipal Finance Management Act

2020
2019
Restated

38.1 Material losses

Material losses through the distribution of electricity

Units purchased in KWh x Average price lost	(56 883 635)	(60 374 660)
Units sold during the year in KWh x Average price lost	46 322 281	47 570 782
	(10 561 354)	(12 803 878)
Percentage lost	19%	21%

The electricity losses can be classified into technical losses and non-technical losses. Technical losses relate to energy that is lost in the transportation of the electricity from point of supply to point of distribution through evaporation. Non-technical losses are attributable mainly to theft, bypass of meters, illegal recalibration of meters, damaged meters, transformers etc. Units lost during the year were 10 561 354 KWh (2019: 12 803 877 KWh) at average price of R1,09 (2019: R0,97)

Material losses through distribution of water losses

Units purchased in KL x Average price lost	(107 255 300)	(96 322 900)
Recorded billing during the year in KL x Average price lost	56 113 700	48 607 980
	(51 141 600)	(47 714 920)
Percentage lost	48%	50%

Units lost during the year were 72 000 KL (2019: 74 800 KL) at average price of R7.103 (2018: R6.379)

38.2 Contributions to organised local government

Opening balance	4 508 325	3 105 560
Current year fees	1 822 315	1 404 255
Amount paid - current year	-	(1 490)
Closing balance	6 330 640	4 508 325

38.3 Auditor's remuneration

Opening balance	6 844 429	858 060
Current year fees	6 559 684	6 276 180
Amount paid - current year	(4 306 658)	(289 811)
Closing balance	9 097 456	6 844 429

38.4 PAYE, SDL and UIF

Opening balance	8 554 391	9 694 825
Current year subscription / fee	20 930 326	17 874 426
Amount paid - current year	(20 672 196)	(19 014 860)
Closing balance	8 812 521	8 554 391

The amounts represent PAYE, SDL and UIF.

38.5 Pension and Medical Aid Deductions

Opening balance	2 984 068	4 207 693
Current year subscription / fee	20 230 429	18 689 820
Amount paid - current year	(19 969 482)	(19 913 445)
Closing balance	3 245 016	2 984 068

The amount represent pension and medical aid contributions deducted from employees.

38.6 VAT

VAT receivable	16 462 009	7 405 204
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Vat is paid over to SARS only once the payment is received from Debtors and is receivable from SARS once the payment has been made to Creditors . All VAT returns for the year have been submitted.

38.7 Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
RAMOABI T	2 173	27 983	30 157
MANYAMA R	3 338	17 299	20 637
MAKHUBELA SS	6 522	15 016	21 538
NDHLOVU S	7 092	63 123	70 215
HEARNE T	7 922	-	7 922
MATSHELANOKANA SM	5 139	42 804	47 943
FISCHER JM	2 526	7 913	10 439
SIKWANE CS	1 406	4 816	6 221
ERASMUS FH	3 053	-	3 053
	39 171	178 954	218 125
2019	Outstanding less than 90 days	Outstanding more than 90 days	Total
MAKHUBELA SS	1 567	6 139	7 706
NDHLOVU S	5 537	46 481	52 018
MOKGOMO LM	840	14 543	15 384
FISHER JM	2 703	59 876	62 579
JOUBERT LH	444	-	444
MATSHELANOKANA S	4 315	32 003	36 318
GOUWS GS	88	1 085	1 173
RAMOABI T	2 335	25 812	28 147
	17 830	185 939	203 769

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 39 Comparison of the budget to actual amounts

Explanation on material differences between the final budget and actuals for the year ended 30 June 2020

39.1 Fines Penalties and Forfeits

The initial budget only takes cash receipts from fines into account instead of the traffic fines issued (accrual basis). This caused the differences between budget and actual. The fines issued are in line with prior year.

39.2 Licences and permits

Licences and permits are dependent on the activity of renewals etc. for the year. The differences between actual and budget is caused by the advent of the Covid-19 crises.

39.3 Transfers recognised

The roll over expenditure from 2019 was only spent in the current year. This transfer recognised was not initially budgeted for.

39.4 Other revenue

Due to the advent of the Covid 19 disaster, the Municipality closed offices for an extended period of time. The closed offices also resulted in reduced income.

39.5 Remuneration of councillors

During the current year there were significant movements in the position of councillors. These movements had an impact on the actual versus budgeted results.

39.6 Debt impairment

During the current year, many of the outstanding balances on the debtors book were handed over to debt collectors for collection of outstanding balances. The municipality's policy states that when accounts are handed over, the municipality provides fully for those accounts. This was not taken into account in the budget.

39.7 Depreciation and asset impairment

The municipality performed a detailed assessment of the fixed asset register in the current financial year. The impact of the detailed assessment resulted in differences between the budgeted depreciation/impairment losses and the actuals for the year.

39.8 Finance charges

Interest charged on outstanding accounts was more than expected as the Municipality used the cash for interest payments on other expenditure due to the Covid 19 pandemic.

39.9 Contracted services

Due to the advent of the Covid 19 disaster, the Municipality closed offices for an extended period of time. The closed offices also resulted in reduced expenditure.

39.10 Other expenditure

Due to the advent of the Covid 19 disaster, the Municipality closed offices for an extended period of time. The closed offices also resulted in reduced expenditure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 40 Related Parties

All related party transactions are conducted at arms length unless otherwise stated.

40.1 Interests of related parties

The following Related Party Interests have been identified/declared for the financial year under review:

(i) Cllr L H Joubert

Cllr L H Joubert is the speaker of the municipality and the director of Sijaka Properties CC. This company is currently providing office space to the Municipality for the year under review. The councillor ceased being a member of council during the current year.

	2020	2019
Lease rentals on operating lease	-	474 854

40.2 Management

Municipality has the following senior managers who may have significant influence over the financial and/or operating policies of the municipality.

Names	Title
Mr. TG Ramagaga	Municipal Manager
Mr Tloubatle	Chief Financial Officer
Mr SV Makona	Technical Services
Mr. JJ van der Merwe	Corporate Services
Ms L Makaya	Planning & Development

Refer to note 25 for the disclosure of their remuneration.

40.3 Councillors

The municipality has councillors that act as a governing body who may have significant influence over the financial and/or operating policies of the municipality.

All the Councillors are listed on page 1 of the Annual Financial Statements.

Refer to note 26 for the disclosure of their remuneration.

Note 41 Financial Instrument

2020
2019
Restated

In accordance with GRAP 104.13, the financial assets and liabilities of the municipality are classified as follows:

Financial assets at amortised cost

Trade and other receivables from exchange transactions
Trade and other receivables from non-exchange transactions

110 561 066	89 505 122
42 647 754	34 338 919
2 006 754	36 835 994
155 215 575	160 680 034

Financial assets at fair value

Cash and cash equivalent

Financial liabilities at amortised cost

Borrowings
Consumer deposits
Trade and other payables from exchange transactions

1 970 128	3 009 229
4 178 703	4 028 784
436 942 016	406 703 670
443 090 847	413 741 684

Note 42 Indigent debts written off

There were no indigent debts write off during the year (2019: Rnil).

THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 43 Risk management

Financial risk management objectives

Due to the nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by many entities. The municipality's Finance department monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

2020	<= 1 Month	> 1 Month <= 3 Months	> 3 Months <= 1 Year	> 1 Year <= 5 Years	Total
Borrowings	109 200	218 400	955 909	686 619	1 970 128
Unspent grants	-	11 321 396	-	-	11 321 396
Consumer deposits	-	-	4 178 703	-	4 178 703
Retentions	-	-	13 583 391	-	13 583 391
Trade and other creditors	246 480 410	-	-	-	246 480 410
	246 589 610	11 539 796	18 718 004	686 619	277 534 029

2019	<= 1 Month	> 1 Month <= 3 Months	> 3 Months <= 1 Year	> 1 Year <= 5 Years	Total
Borrowings	109 200	218 400	1 052 624	1 629 005	3 009 229
Unspent grants	-	40 509 904	-	-	40 509 904
Consumer deposits	-	-	4 028 784	-	4 028 784
Retentions	-	-	7 818 374	-	7 818 374
Trade and other creditors	185 534 993	-	-	-	185 534 993
	185 644 193	40 728 304	12 899 782	1 629 005	240 901 285

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Call deposits	845 485	34 600 646
Current accounts	1 045 438	2 126 876
Marketable securities	110 390	103 030
Trade and other receivables	153 208 820	123 844 041
	155 210 133	160 674 593

Trade and other receivables for government department are not impaired.

Trade and other receivables that are neither past due nor impaired are as follows:

	2020	2019
Trade and other receivables	17 057 729	32 466 222

Debtors are impaired based on the aging of the debt. Government/Public infrastructure debt is deemed 100% collectable and is not provided for. Indigent and Pending indigent debt is provided for at 100%. When a debtor has a past due balance, any payment received will be allocated against the debtors oldest balances. Current debts (neither past due nor impaired) represent a mixture of high, medium and low quality credit standings.

THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 43 Risk management (continued):

Trade and other receivables that are past due but not impaired as at year end are as follows:

	2020	2019
31 - 60 days	4 203 357	13 548 394
61 - 90 days	4 049 576	11 226 537
Greater than 91 days	124 600 698	64 495 859
	<u>132 853 631</u>	<u>89 270 790</u>

No trade and other receivables are individually determined to be impaired at year end.

Interest rates risk

As the municipality has no significant interest bearing assets, the municipality 's income and operating cashflows are substantially independent of changes in market interest rates. At year end , the financial instruments exposed to interest rate risk were as follows:

	2020	2019
Call deposits	845 485	34 600 646
Marketable securities	110 390	103 030
	<u>955 875</u>	<u>34 703 676</u>

Trade debtors are charged interest at fixed rates determined by the municipality. Therefore these financial instruments do not attract exposure to interest rate risk. Interest rate risk is linked to the Repo rate as determined by the Reserve Bank. The Reserve Bank ordinarily only changes the Repo Rate by an increase or decrease of 0,25%. A 0,25 % increase or decrease would not have a material effect on the municipalities interest bearing assets and its surplus/deficit.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 44 Going concern assessment

Management considered the following matters relating to going concern:

- (i) During May 2020 the council adopted the 2020/2021 Budget. This three year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash backed over the three year period.
- (ii) The municipality's Budget is subject to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the Budget. The cash management process is complemented by monthly reporting, highlighting the actual cash position, including the associated risk and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in on going inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratio's, such as liquidity, cost coverage, debtors collection rates and creditors payment terms are closely monitored and the necessary corrective actions instituted (such as payment arrangements etc.).
- (v) The Municipality has further assessed the impact of the Covid-19 pandemic on the operations of the Municipality. There has been a slight decrease in collections from customers, this impact is taken into account in the provision for doubtful debt. The municipality was also able to slightly reduce their expenditure (as can be seen with the surplus for the year), ensuring that it remains well funded and a going concern.

Taking the aforementioned into account, management has prepared the annual financial statements on the Going Concern Basis.

Note 45 Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 37).

Note 46 Events after the reporting date

No events having implications requiring disclosure occurred subsequent to 30 June 2020.

Note 47 Private Public Partnerships

The municipality was not party to any Private Public Partnerships during the year under review.

Note 48 In-kind donations and assistance

The municipality did not receive any in-kind donations or assistance during the year under review.

Note 49 Contingent assets

(i) THABAZIMBI RESIDENCE ASSOCIATION

Application was heard on 25/7/2017 and order was made that applicants application struck from urgent roll with costs. Taxation costs to the amount of R236 538,80 obtained against the applicants. Van Graan & Van Der Wateren Attorneys to claim their costs from TRA.

Note 50 Contingent liabilities

Note 50.1 Court proceedings

(i) PM Plus Projects

A civil judgement is in the process against the municipality relating to a contractual dispute with PM Plus Projects who alleges that the municipality has infringed its performance obligations. The civil judgement claim is estimated at R7 502 404.00 plus related costs. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case is likely to be rescinded by the municipal lawyers. Should the action be successful the municipality does have insurance cover to cover litigation costs and claims.

7 502 404

7 502 404

(ii) H JBadenhorst

This matter relates to a civil claim (personal injury) against the municipality. The matter is currently at exchange of pleadings and notices stage. Amount claimed R 11 000 000.00 (and R 800 000 for costs and disbursements). Matter set down for trial date of 03 March 2020 in Pretoria High (Active file). The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case is likely to be rescinded by the municipal lawyers

11 800 000

11 800 000

(iii) SN Ranamane PM Ranamane

Civil claim by alleged service provider of the municipality. Exchange of pleadings and notices stage. Amount claimed R1 464 119 (and R50 000 for costs and disbursements).Plaintiff has failed the defendant with the requested further particulars of the claim. Matter removed from High Court Pre-trial Conference Roll of 15 March 2018.

1 764 119

1 764 119

(iv) Mminele Compensation (Pty) Ltd

This matter relates to a civil claim by a service provider of the municipality. The matter is currently at exchange of pleadings and notices stage. Amount claimed R 800 000 (and R 50 000 for costs and disbursements). Matter set down for trial on 15 March 2019 (Active file). The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case is likely to be rescinded by the municipal lawyers

850 000

850 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

2020

2019

Other litigations and contingencies

(i) HENDRIK JOHANNES BADENHORST

Matter was set down for trial roll of 3 March 2020. Application of Preferential Trial Date of September 2019 was dismissed in Court on 9 May 2019, to allow the municipality an opportunity to investigate the amendment of quantum from R2.3 Million to R11 Million. For the purposes of settlement, the Plaintiff's attorneys are willing to accept R7.5 Million. Plaintiff went for Medico Legal assessment requested by Defendant as permitted by the Court. Defendant successfully opposed the bill of costs dated 11 April 2019 of the Plaintiff. The Municipality does not have to pay the Plaintiff's costs.

(ii) PMPLUS

Order was granted against TLM for amount of Approximately R7 m and determination of damages at arbitration. TLM in process of recession of order and application to stay arbitration proceedings until recession order is finalised. Stay application was served on PMPlus. Fraud case opened by SAPS. Filing of pleadings in process.

(iii) KGOLO INSTITUTE

Letter of demand received from Kgolo Institute regarding training performed, not paid for. Letter has been sent to claimant denying liability for payment as attendees were not allowed to finish training.

409 156

-

(iv) AFLAC ELECTRICAL CC

Letter of demand received from Aflec Electrical CC for goods sold and delivered but not paid. Counsel requesting documents

323 018

-

(v) BALIMI BARUI TRADING

Letter of demand received from Hahn & Hahn Attorneys for debt collection and traffic management services provided

3 575 650

-

(vi) GARY PENZHORN

Summons received for TLM not crediting the Plaintiffs account and/or reimburse the Plaintiff.

54 311

-

(vii) PATOUPA TRANSPORT AND PROJECTS

Letter of demand for payment of R137 588.70 for failure to provide TLM with outstanding PPE. TLM had to procure outstanding PPE from another supplier at an additional amount of R137 588.70.

137 589

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